

**ARTICLE APPEARED
ON PAGE 2**

Regan, Shultz Slated to Testify Today On Iran Arms Sales Before Senate Panel

By JANE MAYER and DAVID ROGERS
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—White House Chief of Staff Donald Regan and Secretary of State George Shultz are scheduled to testify before the Senate Intelligence Committee today on the secret sales of arms to Iran and the diversion of some profits to Nicaraguan insurgents.

An associate described Mr. Regan as "itching to testify publicly." But while the committee may allow him to release part of his testimony, Chairman David Durenberger (R., Minn.) said last night that the chief of staff will be heard behind closed doors as is the committee's customary practice.

Mr. Regan and Secretary Shultz are slated to be followed Wednesday by Attorney General Edwin Meese and Defense Secretary Caspar Weinberger. Mr. Durenberger said the panel hoped to make public a summary of its findings this month.

"The issue of authority, who has authority to do what, is an important issue in this investigation," said Mr. Durenberger. Mr. Regan is expected to be questioned about what the chairman described as "multiple" secret findings signed by President Reagan to authorize covert activities but never reported to Congress. The findings all relate to Iran and fall into roughly a two-month period from December 1985 through January 1986, Mr. Durenberger said, but their numbers exceed those described in earlier accounts.

While still frustrated in following all of the money from the arms sales, the chairman said that evidence the committee compiled indicated a "chunk" had gone to the Nicaraguan insurgents. Beginning in May and June this year, he said, a crude supply line dependent on trucks switched to a more sophisticated one using air drops.

William Casey, the director of the Central Intelligence Agency, had been scheduled to testify today. But yesterday he was admitted to Georgetown University Hospital for observation after what hospital officials called a "minor cerebral seizure."

George Lauder, a CIA spokesman, said the 73-year-old Mr. Casey was resting and alert. Mr. Lauder said Mr. Casey didn't appear to have suffered a stroke, and added that his condition wasn't related to a recent change in medication for an unrelated ailment, which the CIA spokesman didn't identify.

By calling in cabinet-ranked members of the National Security Council, the committee was reaching the highest rungs of the administration beneath the president.

The move comes as the committee is about to turn over its mandate to a select committee to be named today by Senate Republican Leader Robert Dole of Kansas and Democratic Leader Robert Byrd of West Virginia.

In allowing Mr. Regan to testify, the White House waived its right to claim executive privilege to show that it is cooperating with Congress, as President Reagan says he has urged. But that cooperation may shed little light on the connection between the Iranian arms sales and the diversion of profits to the Nicaraguan insurgents. In past statements Mr. Regan has said that while he supported the notion of sending arms to Iran to further ties with so-called moderate elements there, he knew nothing of any profits being skimmed and sent to the Nicaraguan rebels.

The new Senate committee will have six Democrats and five Republicans. Among the potential chairmen, congressional sources say, are Sens. Daniel Inouye (D., Hawaii) and Howell Heflin (D., Ala.). The House bipartisan leadership also is expected to announce its own 15-member panel later this week. Sources say Rep. Lee Hamilton (D., Ind.), who met yesterday with Speaker-designate Jim Wright of Texas, is one potential chairman.

In comments yesterday, Sen. Durenberger indicated that much of the story about the administration's covert Iranian operation and diversion of funds to Nicaragua is known already. But Senate Democrats going into a meeting last night were skeptical about the information available so far, and also about recent calls to give prospective witnesses immunity.

"We're a long way from knowing what has happened," said Sen. David Boren (D., Okla.), who will be chairman of the Intelligence Committee in the new Congress that meets next month. And Sen. Sam Nunn (D., Ga.), the future chairman of the Armed Services Committee, rejected the notion of granting immunity to potential witnesses at this point.

CIA Director Casey has testified at length in recent weeks about the CIA's role in the arms shipment to Iran, saying the agency first helped ship U.S. arms to Iran in November 1985, before President Reagan formally authorized U.S. arms sales to that country, according to administration and congressional sources. But his testimony has left a number of questions unanswered about the CIA's role in the Iran-Contra operation.

Little Evidence on Operation

While senior administration officials were called to answer questions before

Congress, investigators continued to pore over records. But so far, probes have found surprisingly little immediate evidence on how the covert operation functioned.

Federal Bureau of Investigation agents probing the Iran-Contra connection, administration sources said, have found no official documents showing how the sales were financed or where the proceeds went. The sources said that a high-level interagency committee called the Planning Coordination Group normally oversees all covert operations. But in this case, the sources said, most of the group's members, including Undersecretary of State Michael Armacost, Undersecretary of Defense Fred Ikle, and Vice President George Bush's foreign policy adviser, Donald Gregg, were kept in the dark.

In addition, intelligence sources said that former National Security Adviser John Poindexter directed that the National Security Council staff's director of intelligence policy, Kenneth de Graffenreid, be kept ignorant of the Iran arms sales. Moreover, the sources said, when Mr. de Graffenreid began inquiring about U.S. policy toward Iran, Vice Adm. Poindexter ordered him to stop.

"This operation was completely off-line," said one knowledgeable intelligence source.

Administration sources said the unusual secrecy, even within the administration, was built into the policy from the start, partly to keep details of the operation from top officials who opposed it. They said two NSC staff members, Howard Teicher and the late Donald Fortier, first recommended U.S. "material aid" to Iran in a draft National Security Decision Directive they wrote in June 1985.

In their cover letter explaining the draft memo to their boss, then National Security Adviser Robert McFarlane, Messrs. Fortier and Teicher predicted that their recommendations would be controversial, according to sources who have seen the documents. The sources said the two NSC staff members suggested that their draft directive be forwarded to Secretary of State Shultz and Defense Secretary Weinberger, but placed on "close hold," meaning the cabinet officers couldn't share it with their aides.

Mr. McFarlane, the sources said, accepted his aides' recommendation and placed the draft directive on close hold in his own cover memos to Mr. Shultz and Mr. Weinberger. Both cabinet secretaries, the sources said, opposed the proposal in memos to Mr. McFarlane.

"Very soon afterwards, the policy went underground," said one intelligence source.

U.S. intelligence sources also said that CIA operatives in Central America picked

Continued

up evidence that the Contras had a new supply line last spring, and some agents worried that the Contras' new suppliers apparently included businessmen and former CIA agents with close ties to a former agent, Edwin Wilson, who was convicted of selling explosives to Libya.

But these agents never reported their concerns through official channels, the sources said, partly because laws and regulations prevent CIA officers from reporting on the activities of Americans abroad, except when counterintelligence operations are involved. In addition, the sources said, Mr. Casey had instructed his agents to give the Contras a wide berth, to avoid charges that the CIA was violating congressional restrictions on helping the insurgents.

"Everybody was trained to look the other way wherever the Contras were concerned," said one intelligence source. "That was very deeply ingrained. The agency was paranoid about it."

Meanwhile, the FBI has begun looking into the reported theft of a legal file containing information on sales of weapons and nuclear reactor devices to Iran by Albert Hakim.

Mr. Hakim and his business partner, former Air Force Maj. Gen. Richard Se-cord, have been described by authorities as "major actors" in the administration's secret sales of weapons to Iran, and funneling of funds to Nicaragua through numbered Swiss bank accounts. Mr. Hakim, who has had past ties with the CIA, has controlled a series of companies in Iran and Switzerland and currently is involved in a Virginia-based venture with Mr. Se-cord called Stanford Technology Trading.

File Stolen From Law Office

According to Lt. Tom K. Davis of the Santa Clara County, Calif., Sheriff's office, the Cupertino, Calif., law office of Horace E. Dunbar Jr. was broken into Saturday night, and a thick legal file on Mr. Dunbar's client, Mr. Hakim, was stolen.

Mr. Dunbar's secretary said yesterday that he wouldn't take reporters' calls. But according to Lt. Davis, Mr. Dunbar told police "reluctantly" that the file, which was the only item missing after the theft, contained "information concerning the sales of weapons and nuclear devices—reactors—to Iran." Police said Mr. Dunbar told them that the sales involved Mr. Hakim and a party in South Korea. Mr. Dunbar told police that the file was large and had been begun in 1983.

Probe of Meese

The House and Senate Judiciary committees are looking into whether Attorney General Meese may have impeded a Justice Department investigation into allegations that some of the groups backing the Nicaraguan rebels violated federal arms export laws and trafficked in narcotics. The committees also want the matter investigated by the independent counsel to be appointed shortly to inquire into the funds diversion.

Congressional investigators say the Justice Department's internal watchdog, the Office of Professional Responsibility, also plans to begin a preliminary probe of the department's handling of the case, which has drawn complaints from some Democratic lawmakers. Department spokesmen have denied that Mr. Meese or other officials hindered the investigation.

The fact-finding efforts also will look into a request by Mr. Meese, made around the end of October, that the FBI and the U.S. Customs Service temporarily delay investigation of Southern Air Transport, a Miami-based cargo airline that has been linked to arms shipments to the Nicaraguan rebels and to Iran.

It also was disclosed yesterday that the Army may have charged the CIA an artificially low price for the 2,008 TOW missiles delivered for shipment to Iran early this year. A senior Pentagon official said the FBI is probing the negotiations between the Army and the CIA to determine whether there was wrongdoing or simply a pricing mistake. According to Defense Department officials, the CIA may have to pay the Army additional funds on top of the \$12 million already paid for the missiles.

One explanation for the pricing irregularity is that the Army charged the CIA for older missiles than were delivered. But Pentagon officials said the FBI is seeking to determine whether the pricing disparity had anything to do with the generation of profits that were passed on to the Nicaraguan Contras.

ALSO CONTRIBUTING TO THIS ARTICLE
WAS JOHN WALLCOTT